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*TAX, AUDIT AND BUSINESS CONSULTANTS*

RETIRE  
GORDON A. NETHERCUT, C.P.A.  
CARL F. REITZ, C.P.A.  
WARREN W. YOUNG, C.P.A.

September 12, 2005

To the Board of Education  
Rogers City Area Schools  
Rogers City, Michigan

We have audited the financial statements of Rogers City Area Schools for the year ended June 30, 2004, and have issued our report thereon dated July 22, 2005. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated July 14, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Rogers City Area Schools'. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Rogers City Area Schools' compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

**Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Rogers City Area Schools are described in Note 1 to the financial statements. We noted no transactions entered into by the governmental unit during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

**Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events.

Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Management's estimate of the depreciation expense is based on management's assumptions about the useful lives of its fixed assets. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the governmental unit's financial reporting process (that is, cause future financial statement to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the governmental unit, either individually or in the aggregate, indicate matters that could have a significant effect on the governmental unit's financial reporting process.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's general purpose financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Rogers City Area Schools' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### **Reportable Conditions**

Reportable conditions involve matters coming to our attention, under standards established by the American Institute of Certified Public Accountants, relating to significant deficiencies in the design or operations of the internal control structure that, in our judgment, could adversely affect the ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose of financial statements. We discovered no reportable conditions that should be communicated to management. Our consideration of the internal control structure would not necessarily disclose all matters that might be reportable conditions.

## Other Matters

1. **Recent Pronouncements.** The Governmental Accounting Standards Board (GASB), in its continuing process of updating the accounting principles that all governmental units must adhere to, has issued the following recent pronouncements that will have an impact on the way the Rogers City Area Schools maintains its financial records:

A. **GASB Statement No. 47 - Accounting for Termination Benefits.** This statement establishes accounting standards for termination benefits. In financial statements prepared on an accrual basis of accounting, employers should recognize a liability and expense for voluntary termination benefits (for example, early retirement incentives) when the offer is accepted and the amount can be estimated. In financial statements prepared on the modified accrual basis of accounting, liabilities and expenditures for termination benefits should be recognized to the extent the liabilities are normally expected to be liquidated with expendable available financial resources. The requirements of this statement are effective for financial statements of the Rogers City Area Schools for the year ended June 30, 2006.

B. **GASB Statement No. 46 - Net Assets Restricted by Enabling Legislation.** This statement clarifies that a legally enforceable enabling legislation restriction is one that a government is required to disclose the portion of net total assets that is restricted. The requirements of this statement are effective for financial statements of the District for the year ended June 30, 2006.

C. **GASB Statement No. 45 - Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.** This statement will require governmental units to record the cost of benefits (such as health insurance, life insurance, etc) in the periods when the related services are received by the employer if these benefits are not provided for through a pension plan. This will require the District to accrue and report an actuarially computed liability for any future postemployment benefit other than pensions. The requirements of this statement are effective for financial statements of the District for the year ended June 30, 2008.

D. **GASB Statement No. 43 - Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.** This statement establishes uniform reporting standards for other postemployment benefit plans. The financial statements focus on reporting current financial information about plan net assets and required note disclosures include a brief plan description, a summary of significant accounting policies, and information about contributions and legally required reserves. The requirements of this statement are effective for financial statements of the District for the year ended June 30, 2008.

We wish to thank the staff of Rogers City Area Schools for their assistance during the audit.

This report is intended solely for the information and use of Rogers City Area Schools Board of Education, Michigan Department of Education, Management, and others within the governmental unit and is not intended to be and should not be used by anyone other than these specified parties.

We commend the School for its excellent recordkeeping system and appreciate the opportunity to serve the Rogers City Area Schools. If you have any questions, or if we can be of further service, please do not hesitate to contact us.

*Straley, Ilsley & Lamp P.C.*

# **ROGERS CITY AREA SCHOOLS**

Audited Financial Statements and  
Other Supplementary Financial Information

Year Ended June 30, 2005

**STRALEY, ILSLEY & LAMP P.C.**

**ROGERS CITY AREA SCHOOLS**

**2004 - 2005 SCHOOL YEAR**

**BOARD OF EDUCATION**

President	2001/2005	Michael A. Marx
Vice-President	2002/2006	Jo E. Bush-Glenn
Secretary	2004/2008	Armond J. Loiselle
Treasurer	2004/2005	Keith C. Gordon
Assistant Secretary/ Treasurer	2003/2007	Richard D. Hanson
Trustee	1997/2005	Norman E. Karbon
Trustee	2004/2008	Allan J. Smolinski

**ADMINISTRATIVE STAFF**

Superintendent	Edward M. Schultz
Business Manager	Donald C. Schaedig
High School Principal	Deborah A. Jones
Elementary School Principal	Melissa D. Wozniak

**INDEPENDENT AUDITORS.....** Straley, Ilsley & Lamp P.C.

**LEGAL COUNSEL.....** Thrun Law Firm, P.C.

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RETIRED  
GORDON A. NETHERCUT, C.P.A.  
CARL F. REITZ, C.P.A.  
WARREN W. YOUNG, C.P.A.

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Education  
**Rogers City Area Schools**  
Rogers City, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Rogers City Area Schools**, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the **Rogers City Area Schools'** management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the **Rogers City Area Schools**, as of June 30, 2005 and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2005, on our consideration of the **Rogers City Area Schools'** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



Required Supplemental Information

The Management's discussion and analysis and the required supplementary information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Individual Fund Financial Statements and Other Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the **Rogers City Area Schools'** basic financial statements. The additional information identified in the table of contents as individual fund financial statements and other supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Straley, Ilsley & Lamp P.C.*

July 22, 2005

## **Rogers City Area Schools Management's Discussion and Analysis**

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The following is management's discussion and analysis of the financial position and results of operations for the fiscal year ended June 30, 2005. Please read it in conjunction with the financial statements and related footnotes, which follow this section.

### **Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Rogers City Area Schools financially as a whole. The *Government-Wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the School District's governmental funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents. The annual report is arranged as follows:

Management's Discussion and Analysis (MD&A)  
(Required Supplemental Information)

#### Basic Financial Statements

Government-Wide Financial Statements                      Fund Financial Statements

Notes to the Basic Financial Statements

#### (Required Supplemental Information)

Budgetary information for General Fund,  
School Service Fund and Sinking Fund

#### Other Supplemental Information

Individual Fund Statements

### **Reporting the School District as a Whole – Government-wide Financial Statements**

The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information about the School District as a whole using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. The statement of net assets includes all of the School District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

## **Rogers City Area Schools Management's Discussion and Analysis**

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These two statements report the School District's net assets and how they have changed. Net assets – the difference between assets and liabilities, as reported in the statement of net assets – is one way to measure the School District's financial health, or position. Over time, increases or decreases in the School District's net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the schools to assess the overall health of the Rogers City Area Schools.

The statement of net assets and statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, food services and inter-district transfers. Property taxes, state aid and state and federal grants finance most of these activities.

### **Reporting the School District's Most Significant Funds – Fund Financial Statements**

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by state law and by bond covenants. However, the School District may establish other funds to help it control and manage money for a particular purpose (the School Services and Sinking funds are examples) or to show that it is meeting its legal responsibilities for using certain taxes, grants, or other money. The governmental funds of the School District use the following accounting approach:

Governmental Funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash.

The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in reconciliation.

### **The School District as Trustee – Reporting the School District's Fiduciary Responsibilities**

The School District is a trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. We excluded these activities from the School District's other financial statement because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

**Rogers City Area Schools  
Management's Discussion and Analysis**

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**The School District as a Whole**

Recall that the statement of net assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets as of June 30, 2005:

**TABLE 1**

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
Current and Other Assets	\$ 1,796,779	\$ 1,868,458
Property and Equipment	<u>3,533,121</u>	<u>3,737,074</u>
<b>Total Assets</b>	<u>\$ 5,329,900</u>	<u>\$ 5,605,532</u>
<b>LIABILITIES</b>		
Current Liabilities	\$ 366,207	\$ 544,573
Long-Term Liabilities	<u>29,169</u>	<u>31,560</u>
<b>Total Liabilities</b>	<u>\$ 395,376</u>	<u>\$ 576,133</u>
<b>NET ASSETS</b>		
Invested in property and equipment – Net of related debt	\$ 3,533,121	\$ 3,737,074
Unrestricted	<u>1,401,403</u>	<u>1,292,325</u>
<b>Total Net Assets</b>	<u>\$ 4,934,524</u>	<u>\$ 5,029,399</u>

The above analysis focuses on the net assets. The change in net assets (see Table 2) of the School District's governmental activities is discussed below. The School District's net assets were \$4,934,524 at June 30, 2005. Capital assets, net of related debt totals \$3,533,121 and compares the original cost, less depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets. The remaining amount of the net assets of \$1,401,403 was unrestricted.

The \$1,401,403 in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The unrestricted net assets balance enables the School District to meet working capital and cash flow requirements as well as provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net assets for fiscal year 2005 as compared to fiscal 2004.

**Rogers City Area Schools  
Management's Discussion and Analysis**

**TABLE 2**

	<u>2005</u>	<u>2004</u>
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 251,060	\$ 140,719
Operating grants	317,840	561,936
General revenue:		
Property taxes	1,713,319	1,488,745
State aid	3,259,633	3,263,034
Investment Earnings	16,475	8,015
Miscellaneous	<u>50,222</u>	<u>24,940</u>
Total revenue	<u>\$ 5,608,549</u>	<u>\$ 5,487,389</u>
<b>Functions/Program Expenses</b>		
Instruction	\$ 3,430,281	\$ 3,392,395
Support services	1,638,371	1,559,069
Community services	16,299	-
Athletics	159,002	145,630
Food services	185,507	167,373
Interdistrict Transfers	804	828
Building and site acquisition	16,933	-
Depreciation (unallocated)	<u>256,227</u>	<u>226,079</u>
Total expenses	<u>5,703,424</u>	<u>5,491,294</u>
<b>Increase &lt;Decrease&gt; in Net Assets</b>	<u>\$ &lt;94,875&gt;</u>	<u>\$ &lt;3,905&gt;</u>

As reported in the statement of activities, the cost of all of our *governmental* activities this year was \$5,703,424. Certain activities were partially funded from those who benefited from the programs \$251,060, or by other governments and organizations that subsidized certain programs with grants and contributions \$317,840. We paid for the remaining "public benefit" portion of our governmental activities with \$1,713,319 in taxes, \$3,259,633 in state aid and with \$66,699 of our other revenues (i.e., interest and other general revenue).

The School District experienced a decrease in net assets of <\$94,875>. The key reason for the change in net assets included a net decrease from general fund operations of (\$90,717).

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the majority of School District operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

## **Rogers City Area Schools Management's Discussion and Analysis**

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### **The School District's Funds**

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide and may provide more insight into the School District's overall financial health. As the School District completed this year, the governmental funds reported a combined fund balance of \$1,432,963 which is an increase of \$109,078 from last year. The primary reason for this increase emanates from the building and site fund set aside for future capital improvements. The 2005-06 budget adopted in June of 2005, assumes the use of \$164,254 in fund balance.

The General Fund fund balance available to fund general operations costs for administrative and support services remains stable at \$1,003,267.

The School Service Fund remains stable with a fund balance of \$9,003.

### **General Fund Budgetary Highlights**

During the course of the year, the school district performs budget amendments as necessary to reflect changes from the original budget adopted in June of 2004. These budget amendments reflect changes in enrollment, personnel and other costs that become more defined during the fiscal year. Three budget amendments were made during the 2004-05 fiscal year with the final amendment being made in May, 2005. (A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements).

A large portion (67%) of the school district funding is in the form of state aid and federal grants. Generally, state aid and federal grant amounts are not known until the fiscal year has been partially completed. The 2004-05 state foundation grant of \$6,700 per pupil, as compared to former years, was fully funded by the State of Michigan. Additionally, prior year's delinquent personal property taxes of \$79,400 were received with the bankruptcy settlement of Olgebay Norton Industries.

Overall, the districts expenditures exceeded revenues by \$90,716 thereby reducing the fund equity to \$1,003,267, which equates to 19.4 percent of total expenditures.

**Rogers City Area Schools  
Management's Discussion and Analysis**

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**Capital Assets and Debt Administration**

***Capital Assets***

At June 30, 2005, the School District had \$3,533,121 invested in a broad range of capital assets, including land, buildings, furniture and equipment, and vehicles. This amount represents a net decrease (including additions, deductions, and depreciation) of approximately (\$203,953) from last year.

	<u>2005</u>	<u>2004</u>
Assets not being depreciated – Land	\$ 109,763	\$ 109,763
Land Improvements	56,470	56,470
Buildings and improvements	6,020,708	5,973,183
Office and Computer equipment	1,595,763	1,609,484
Vehicles	<u>476,137</u>	<u>520,114</u>
Total capital assets	8,258,841	8,269,014
Less accumulated depreciation	<u>(4,725,720)</u>	<u>(4,531,940)</u>
Net capital assets	<u>\$ 3,533,121</u>	<u>\$ 3,737,074</u>

This year's additions of \$52,274 included building renovations, and furniture. No new debt was issued for these additions.

***Debt***

At the end of this year, the School District had \$31,560 in outstanding bonded debt which has not changed from the prior year. This bonded debt is a memo entry only since it represents the bonds issued by the State of Michigan to fund the Durant I Special Education settlement. The annual payments are made directly by the State of Michigan to the bondholders.

**Economic Factors and Next Year's Budgets and Rates**

Our Board of Education and administration consider many factors when setting the School District's 2005-06 fiscal year budgets. The 2005-06 fiscal year budget was adopted in June 2005 based on student enrollment, property valuations, state and federal revenue estimates available at that time. Under state law, the School District cannot access additional property taxes for operations without a vote by the electorate within the ISD. As a result, district funding is heavily dependent on the State's ability to fund local school district operations. Once final pupil counts and added cost calculations are made, State law requires the School District to amend the budget if actual resources are not sufficient to fund original appropriations.

## **Rogers City Area Schools Management's Discussion and Analysis**

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Since the School District's revenue is heavily dependent on State funding and the economic health of the State's School Aid fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The state periodically holds a revenue estimating conference to estimate revenues. The School Aid Fund receives a significant amount of revenue from the 2% additional sales tax voted under Proposal A. Accordingly, statewide economic activity has a direct impact on the amount of foundation grant that is funded by the State of Michigan. The foundation grant, as proposed by Governor Granholm, for 2005-06 is estimated at \$6875 per pupil.

Additionally, the impact of declining enrollment has seriously limited the districts ability to fund current programs. Schools are funded under Proposal, A which directly ties the local school state aid to the number of pupils enrolled. The enrollment in the Rogers City Area School District declined by approximately two hundred students in the past six years. This trend is expected to continue based upon the economic conditions within the district. Due to state aid limitations and enrollment declines, the district has had to utilize, over the past two years, \$248,800 of the fund balance in order to maintain basic programs. The adopted 2005-06 budget proposes an additional \$164,254 transfer from the fund balance.

Two additional factors, among others, that are having a significant impact on the allocation of resources of the district include escalating health care costs and increased energy costs. For the 2004-05 fiscal year, these costs consumed 18% of the budget. We are projecting that 19% of the 2005-06 budgets will be allocated to health care and energy costs. Most importantly, we can predict that health care and energy costs will continue to absorb an increasing proportion of the available financial resources.

### **Contacting the School District's Financial Management**

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Business Manager, Donald C. Schaedig, at 251 West Huron, Rogers City, Michigan 49779, (989) 734-9100.



Rogers City Area Schools  
**STATEMENT OF NET ASSETS**

June 30, 2005

	Governmental Activities
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 1,143,669
Due from other governmental units	638,615
Other current assets	14,495
Total Current Assets	1,796,779
<b>NON-CURRENT ASSETS</b>	
Capital Assets	8,258,841
Less: Accumulated Depreciation	(4,725,720)
Total Non-Current Assets	3,533,121
<b>TOTAL ASSETS</b>	<b>\$ 5,329,900</b>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable	\$ 101,971
Salaries payable	192,244
Payroll withholdings	804
Due to other governmental units	68,017
Deferred revenue	780
Current portion of Long-term debt	2,391
Total Current Liabilities	366,207
<b>NON-CURRENT LIABILITIES</b>	
Non-current portion of Long-term debt	29,169
<b>TOTAL LIABILITIES</b>	<b>395,376</b>
<b>NET ASSETS</b>	
Investment in capital assets, net of related debt	3,533,121
Unrestricted	
Designated	37,545
Undesignated	1,363,858
<b>TOTAL NET ASSETS</b>	<b>\$ 4,934,524</b>

The accompanying notes to financial statements are an integral part of this statement.

Rogers City Area Schools  
**STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES**

Year ended June 30, 2005

	Expenses	Program Revenues Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets
<b>FUNCTION / PROGRAMS</b>				
Instruction	\$ 3,430,281	\$ 107,571	\$ 170,200	\$ (3,152,510)
Supporting services	1,638,371	11,709	49,169	(1,577,493)
Community services	16,299		6,561	(9,738)
Food services	185,507	80,247	91,910	(13,350)
Athletics	159,002	51,183	-	(107,819)
Interdistrict transfers	804	-	-	(804)
Building and site acquisition	16,933	350	-	(16,583)
Depreciation - unallocated	256,227	-	-	(256,227)
Total Governmental Activities	<u>5,703,424</u>	<u>251,060</u>	<u>317,840</u>	<u>(5,134,524)</u>
General Revenues:				
Property taxes, levied for general purposes				1,440,153
Property taxes, levied for sinking fund				273,166
State aid				3,259,633
Investment earnings				16,475
Miscellaneous				<u>50,222</u>
Total General Revenues				<u>5,039,649</u>
Change in Net Assets				(94,875)
Net Assets - Beginning of the year				<u>5,029,399</u>
Net Assets - End of the year				<u><u>\$ 4,934,524</u></u>

The accompanying notes to financial statements are an integral part of this statement.

Rogers City Area Schools

**BALANCE SHEET - GOVERNMENTAL FUNDS**

June 30, 2005

	General Fund	School Service	Sinking Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 706,670	\$ 12,806	\$ 424,193	\$ 1,143,669
Due from other funds	-	1,015	-	1,015
Due from other governmental units	637,287	1,328	-	638,615
Other current assets	14,495	-	-	14,495
Total assets	<u>\$ 1,358,452</u>	<u>\$ 15,149</u>	<u>\$ 424,193</u>	<u>\$ 1,797,794</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Accounts payable	\$ 97,272	\$ 1,199	\$ 3,500	\$ 101,971
Due to other funds	1,015	-	-	1,015
Salaries payable	187,297	4,947	-	192,244
Payroll deductions and withholdings	804	-	-	804
Due to other governmental units	68,017	-	-	68,017
Deferred revenue	780	-	-	780
Total liabilities	<u>355,185</u>	<u>6,146</u>	<u>3,500</u>	<u>364,831</u>
Fund Equity				
Fund balances				
Unreserved				
Designated	37,545	-	-	37,545
Undesignated	965,722	9,003	420,693	1,395,418
	<u>1,003,267</u>	<u>9,003</u>	<u>420,693</u>	<u>1,432,963</u>
Total liabilities and fund balances	<u>\$ 1,358,452</u>	<u>\$ 15,149</u>	<u>\$ 424,193</u>	<u>\$ 1,797,794</u>

The accompanying notes to financial statements are an integral part of this statement.

Rogers City Area Schools

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES**

June 30, 2005

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Total Governmental Fund Balances	\$	1,432,963
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Capital Assets	\$	8,258,841	
Less: Accumulated Depreciation		<u>(4,725,720)</u>	
			3,533,121

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Bonds payable	<u>(31,560)</u>
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Total Net Assets - Governmental Activities	<u>\$</u>	<u>4,934,524</u>
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The accompanying notes to financial statements are an integral part of this statement.

Rogers City Area Schools

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-  
GOVERNMENTAL FUNDS**

Year ended June 30, 2005

	General Fund	School Service	Sinking Fund	Total Governmental Funds
<b>REVENUES</b>				
Local sources	\$ 1,622,515	\$ 131,430	\$ 277,131	\$ 2,031,076
State sources	3,262,376	9,721	-	3,272,097
Federal sources	213,777	91,599	-	305,376
Total revenues	5,098,668	232,750	277,131	5,608,549
<b>EXPENDITURES</b>				
Instruction	3,430,281	-	-	3,430,281
Supporting services	1,638,371	-	-	1,638,371
Community services	16,299	-	-	16,299
Food services	-	185,507	-	185,507
Athletics	-	159,002	-	159,002
Interdistrict transfers	804	-	-	804
Building and site acquisition	-	-	69,207	69,207
Debt service				
Principal	-	-	-	-
Interest and fees	-	-	-	-
Total expenditures	5,085,755	344,509	69,207	5,499,471
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	12,913	(111,759)	207,924	109,078
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	5,000	108,630	-	113,630
Transfer to other funds	(108,630)	(5,000)	-	(113,630)
	(103,630)	103,630	-	-
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	(90,717)	(8,129)	207,924	109,078
<b>FUND BALANCES, beginning of the year</b>	1,093,984	17,132	212,769	1,323,885
<b>FUND BALANCES, end of the year</b>	\$ 1,003,267	\$ 9,003	\$ 420,693	\$ 1,432,963

The accompanying notes to financial statements are an integral part of this statement.

Rogers City Area Schools

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

Year ended June 30, 2005

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Total net change in fund balances - governmental funds	\$	109,078
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Amounts reported for governmental activities in the statement  
of activities are different because:

Governmental funds report capital outlays as expenditures.  
However, in the statement of activities, the cost of those  
assets is allocated over their estimated useful lives as  
depreciation expense.

Capital Asset Additions	\$	52,274	
Depreciation Expense		<u>(256,227)</u>	(203,953)

Net book value of disposed assets not reflected in Governmental funds	-
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Repayment of long-term debt is an expenditure in the  
governmental funds, but the repayment reduces long-term  
liabilities in the statement of net assets. This is the amount  
of repayments reported as expenditures in the governmental  
funds.

Debt service - principal	<u>-</u>
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Change in Net Assets of Governmental Activities	\$	<u><u>(94,875)</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

Rogers City Area Schools

**STATEMENT OF FIDUCIARY NET ASSETS**

June 30, 2005

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	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$     47,428</u>
<b>TOTAL ASSETS</b>	<u><u>\$     47,428</u></u>
<b>LIABILITIES</b>	
Due to student groups	<u>\$     47,428</u>
Total liabilities	<u>47,428</u>
<b>NET ASSETS</b>	
Unrestricted	
Undesignated	<u>-</u>
<b>TOTAL NET ASSETS</b>	<u><u>\$         -</u></u>

The accompanying notes to financial statements are an integral part of this statement.

Rogers City Area Schools

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1--SIGNIFICANT ACCOUNTING POLICIES.**

The financial statements of Rogers City Area Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the School District's accounting policies are described below:

**A. Description of Operations and Reporting Entity.**

**Description of Operations.** The School District operates under a locally elected seven-member Board form of government and provides educational and supportive services as mandated by the State of Michigan and/or federal agencies. The Rogers City Area Schools were organized in 1896. This Board of Education controls the School District's instructional and support facilities and provides services to approximately 800 in grades K-12.

**Reporting Entity.** A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Rogers City Area Schools, this includes general operations, food services, athletics, sinking fund and student and supportive service activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves their budget, the issuance of their debt, or the levying of taxes. The School District has no component units.

**B. Fund Accounting.**

**Fund Accounting.** The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental, proprietary and fiduciary.

**Governmental Funds.** Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

**General Fund.** This fund is used to record the general operations of the School District pertaining to education and those transactions not accounted for in another fund. Included are all transactions related to the approved current operating budget.



Rogers City Area Schools

**NOTES TO FINANCIAL STATEMENTS**

The expenditures are classified in accordance with the latest revised edition of the *Accounting Manual for Michigan School Districts* (Bulletin 1022, as revised) issued by the Michigan Department of Education as follows:

**Instruction** - Instruction includes the activities dealing directly with the teaching of pupils or the interaction between teacher and pupils. Teaching may be provided for pupils in a school classroom; in another location, such as in a home or hospital; and other learning situations, such as those involving co-curricular activities. It may also be provided through some other approved medium, such as television, radio, telephone, and correspondence. Included here are the activities of aides, assistants of any type, and supplies and machines which assist directly in the instruction process.

**Supporting Services** - Supporting services are those services which provide administrative, technical (such as guidance and health), and logistical support to facilitate and enhance instruction and, to a lesser degree, community services. Supporting services exist as adjuncts for the fulfillment of the objectives of instruction, rather than as entities within themselves.

**Special Revenue Funds.** Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specific purposes. The only special revenue fund is the School Service Fund which maintains the school's food service and athletics activities.

**Debt Service Fund.** The Debt Service Fund is used to account for the accumulation of resources, and for the payment of general long-term debt principal, interest and related costs.

**Capital Projects Fund.** The Capital Projects Fund is used to account for all resources for the acquisition of capital facilities by the District. The Sinking Fund Capital Projects Fund records capital project activities funded with Sinking Fund millage. For this fund, The School District has complied with the applicable provisions of § 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

**Fiduciary Funds.** Trust and Agency Fund. Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for others. The School District presently maintains a Student Activities Fund to record the transactions of student and parent groups for school and school related purposes.

**C. Basis of Presentation.**

**Government-wide Financial Statements.** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The financial activities of Rogers City Area Schools are all considered governmental and do not reflect any business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Rogers City Area Schools

**NOTES TO FINANCIAL STATEMENTS**

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

**Fund Financial Statements.** Fund financial statements report detailed information about the School District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

Fiduciary funds are reported using the economic resources measurement focus.

**D. Basis of Accounting.**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

**Revenues.** Exchange and Non-exchange Transactions -Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available, means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis.

Rogers City Area Schools

**NOTES TO FINANCIAL STATEMENTS**

On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available in advance, interest, tuition, grants, student fees and rentals.

**Deferred Revenue.** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

**Expenses/Expenditures.** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

**Cash and Cash Equivalents.** Cash equivalents include certificates of deposit and other short-term, highly liquid investments that are readily convertible to known amounts of cash.

During the fiscal year ended June 30, 2005, investments were limited to the Michigan Liquid Asset Fund (MILAF). MILAF is an investment pool managed by Cadre Consulting, which allows school districts within the State of Michigan to pool their funds for investment purposes. Investments in MILAF are valued at cost which equals market value.

**Inventories and Supplies.** On government-wide financial statements inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

**Other Current Assets.** Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**Interfund balances.** On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**Capital Assets.** General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

Rogers City Area Schools

**NOTES TO FINANCIAL STATEMENTS**

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 10 years
School Buses	10 years
Fleet Vehicles	8 years

**Vacation and sick leave.** School District policy does not provide for payments of unused sick or vacation pay, therefore, no provision has been recorded.

**Accrued Liabilities and Long-term Obligations.** All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

**Fund Balance Reserves.** The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories.

**Net Assets.** Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Rogers City Area Schools

**NOTES TO FINANCIAL STATEMENTS**

**Encumbrances.** Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation is not employed by the School District. Commitments outstanding at year end are charged against the subsequent year's appropriation once received and approved.

**Use of Estimates.** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**Reclassification.** Certain items reported in the June 30, 2004, financial statements may have been reclassified to conform with the presentation for the current year.

**NOTE 2--LEGAL COMPLIANCE.**

**Budgets and Budgetary Accounting.** Prior to adoption of the budgets, the school administration prepares and submits their proposed operating budgets commencing the following July 1. A public hearing is conducted to obtain interested party comments. Prior to July 1 the budget is adopted by the Board of Education. Budgeted amounts are as originally adopted or as amended by the Board of Education. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30. The District does not consider these amendments to be significant. Unused appropriations at June 30 are not carried forward to the following year.

The provisions of the Uniform Budgeting and Accounting Act, P.A. 621 became effective in July 1981. The Act provides major revenue categories and expenditure functions that constitute minimal levels. The Rogers City Area Schools' budget was legally enacted on a functional level. Detail at the activity level is presented in the General Fund, School Service Fund, and Sinking Fund Statement of Revenues, Expenditures and Fund Balances for the benefit of management.

P.A. 621 provides that a school district shall not incur expenditures in excess of the amount appropriated. During the year ended June 30, 2005, the Rogers City Area Schools' incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated. Violations, if any, are noted in the required supplementary information section (RSI).

**NOTE 3--DEPOSITS AND INVESTMENTS.**

As of June 30, 2005, the District had the following investments.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Liquid asset funds	\$ 382,961	0.00
Total Fair Value	<u>\$ 382,961</u>	
Portfolio weighted average maturity		<u>0.00</u>

Rogers City Area Schools

**NOTES TO FINANCIAL STATEMENTS**

During the fiscal year ended June 30, 2005, investments were limited to the Michigan Liquid Asset Fund (MILAF). MILAF is an investment pool managed by Cadre Consulting, which allows school districts within the State of Michigan to pool their funds for investment purposes. Investments in MILAF are valued at cost which equals market value and included in the financial statements as a cash equivalent.

**Interest rate risk.** In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in the market interest rates by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2005, the District did not have any investments which have this type of risk.

**Concentration of credit risk.** The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the district's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**Custodial credit risk – deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2005, there was \$751,664 of the District's bank balance of \$1,110,852 that was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the district's name.

**Custodial credit risk – investments.** For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the district will do business.

The Board of Education authorized the following financial institutions for the investment of the District's funds for the year ended June 30, 2005: Calcite Credit Union, Independent Bank, Huron National Bank, and the Michigan Liquid Asset Fund.

**Foreign currency risk.** The District is not authorized to invest in investments which have this type of risk.

Rogers City Area Schools

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4--CAPITAL ASSETS.**

Capital assets activity for the fiscal year ended June 30, 2005 was as follows:

	Balances June 30, 04	Additions	Disposals and Adjustments	Balances June 30, 05
Governmental Activities				
Land	\$ 109,763	\$ -	\$ -	\$ 109,763
Land improvements	56,470	-	-	56,470
Buildings and improvements	5,973,183	47,525	-	6,020,708
Furniture and equipment	1,609,484	4,749	(18,470)	1,595,763
Vehicles	520,114	-	(43,977)	476,137
Total at Historical Cost	8,269,014	52,274	(62,447)	8,258,841
Less: Accumulated Depreciation				
Land improvements	(56,470)	-	-	(56,470)
Buildings and improvements	(2,714,290)	(157,503)	-	(2,871,793)
Furniture and equipment	(1,451,697)	(37,396)	18,470	(1,470,623)
Vehicles	(309,483)	(61,328)	43,977	(326,834)
Total Accumulated Depreciation	(4,531,940)	(256,227)	62,447	(4,725,720)
Governmental Activities - Capital Assets - Net	<u>\$ 3,737,074</u>	<u>\$ (203,953)</u>	<u>\$ -</u>	<u>\$ 3,533,121</u>

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as "unallocated".

**NOTE 5--LONG-TERM DEBT.**

**General Long-Term Debt Account Group**

Changes in long-term debt of the School District are as follows:

	Balances, June 30, 04	Additions	(Reductions)	Balances, June 30, 05
\$49,400 Durant Non-Plaintiff serial bonds due in annual installments of \$6,181 to \$3,469 through May 2013; interest at 4.76%	\$ 31,560	\$ -	\$ -	\$ 31,560
Totals	<u>\$ 31,560</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,560</u>

Rogers City Area Schools

**NOTES TO FINANCIAL STATEMENTS**

The Durant Non-Plaintiff bond, including interest, was issued in anticipation of payment to the District as appropriated and to be appropriated to the District by the State of Michigan under Section 11g(3) of Act 94 (State Aid payments). The District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond.

The Durant Non-Plaintiff bond is a self-liquidating bond and is not a general obligation of the District and does not constitute an indebtedness of the District within any constitutional or statutory limitations. This bond is payable both as to principal and interest solely from the state aid payments described in the preceding paragraph.

The annual requirements to pay principal and interest on the obligations outstanding at June 30, 2005 are as follows:

<u>For the year ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Requirement</u>
2006	\$ 2,391	\$ 1,078	\$ 3,469
2007	2,505	964	3,469
2008	2,624	845	3,469
2009	2,749	720	3,469
2010	2,880	589	3,469
2011-2013	18,411	4,897	23,308

The School District had no interest expenditures for long-term debt for the year ended June 30, 2005.

**NOTE 6--FUND BALANCE RESERVATIONS AND DESIGNATIONS.**

Amounts of the various fund balances reserved or designated at June 30 are as follows:

<u>Fund</u>	<u>2005</u>	<u>2004</u>
General Fund		
Designated for school funded benefits	\$ <u>37,545</u>	\$ <u>37,545</u>
Total reservations and designations	\$ <u>37,545</u>	\$ <u>37,545</u>

**NOTE 7--PROPERTY TAXES.**

The assessed values of real and personal property situated in the School District are established annually by local taxing authorities as of December 1, and are equalized by the State at an estimated 50% of current market value. The property tax is levied on July 1 and becomes delinquent after September 14 for City of Rogers City residents (representing approximately 40% of collections), with the remainder levied December 1 and payable by February 14. Uncollected property taxes as of March 1 are added to the County delinquent tax rolls. By agreement with Presque Isle County, the County purchases at face value the real property taxes receivable returned delinquent each March 1. The property value used for determining the amount of property tax levied is known as the "taxable value" (TV). This differs from the State Equalized Value (SEV)



Rogers City Area Schools

**NOTES TO FINANCIAL STATEMENTS**

by increases being limited to a cost-of-living adjustment or 5 percent, whichever is less. The Taxable Value (TV) for the 2004-05 school year in the Rogers City Area Schools was established at \$76,365,368 for homestead property and \$75,977,998 for non-homestead property. The State of Michigan levies 6.0 mills on all property with the proceeds dedicated to the Michigan State Aid Fund. A local operating millage of 18.0000 mills, approved by the voters of the district, is levied against non-homestead property. The District voters also approved an additional 1.7298 mills for a building and site sinking fund.

**NOTE 8--SCHOOL FUNDING.**

With the passage of Senate Bill 1 in August, 1993, and the subsequent approval of Proposal "A" by Michigan voters, the so-called Bursely funding formula was replaced by a system of base foundation grants between \$4,508 and \$6,808 per pupil in each local school district in Michigan. The Rogers City Area Schools received a basic foundation allowance of \$6,700 per pupil for the school year ending June 30, 2005. Future adjustments to the base grant will be based on a revenue index, with districts below the statewide \$5,000 base amount receiving greater increases. Most categorical aid, including social security (FICA) and state retirement contributions, was rolled into the base foundation amount, except for special education, special education transportation, adult education, early childhood education and vocational education funding.

As part of Proposal "A", a two-cent increase in the state sales tax was approved along with several other smaller specific tax increases, while eliminating local school operating property taxes for homestead and qualified agricultural property owners. A 6-mill statewide education tax was imposed on all property, with an additional local property tax of 18 mills required on all non-homestead and non-qualified agricultural properties. The 6-mill education tax is not subject to further voter approval, but continuing authorization from local voters for the 18-mill local tax is required. Further authorization was granted to local school districts to secure voter approval for up to 3 enhancement mills for up to three years, beginning with the 1994-95 school year. After the 1996-97 school year, any enhancement mills must be approved on an intermediate school district-wide basis.

**NOTE 9—DEFINED BENEFIT PENSION PLAN AND POST-EMPLOYMENT BENEFITS.**

**Plan Description.** The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103.

**Funding Policy.** Employer contributions to the system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate

Rogers City Area Schools

**NOTES TO FINANCIAL STATEMENTS**

totals 12.99 percent for the period from July 1, 2004 through September 30, 2004, and 14.87 percent from October 1, 2004 through June 30, 2005 of the covered payroll to the plan. The School District's contributions to the MPSERS plan for the years ended June 30, 2005, and 2004 were \$423,769 and \$395,291, respectively. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. For the years ended June 30, 2005 and 2004, Rogers City Area School employees contributed \$97,104 and \$97,420, respectively.

**Postemployment Benefits.** Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverages. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverages. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPSERS plan discussed above.

**NOTE 10—RISK MANAGEMENT.**

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, and natural disasters. The School District manages its risk exposures and provides certain employee benefits through a combination of self-insurance programs, risk management pools and excess insurance coverage policies. Following is a summary of these self-insurance programs and risk management pool participation.

The School District participates in the MASB-SEG Property and Casualty Pool for general and automobile liability, motor vehicle physical damage and property damage coverage. The MASB-SEG Property/Casualty Pool, Inc. was established in May 1985, pursuant to the laws of the State of Michigan. The purpose of the pool is to provide cooperative and comprehensive risk financing and control services. Member premiums are used to purchase excess insurance coverage and pay member claims in excess of deductible amounts. The deductible amount of any one loss ranges from \$250 to \$1,000 with a maximum coverage amount of \$4,000,000 for liability claims.

The School District also participates in the SEG-Self-Insured Worker's Disability Compensation Fund for its Workers Compensation liabilities with coverage specific/statutory (unlimited) employers' liability of \$500,000.

The School District has purchased commercial insurance for medical, dental and vision benefits claims for employees and their eligible dependents.

**NOTE 11—CONTINGENCIES, CLAIMS AND LITIGATION.**

There are currently no known legal actions pending against the School District that would require recording a liability. It is the policy of Rogers City Area Schools to record a liability for any contingency, claim or lawsuit when the loss is probable and an amount can be reasonably estimated.

## **REQUIRED SUPPLEMENTARY INFORMATION**

Rogers City Area Schools

**REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

Year ended June 30, 2005

	Budget Amounts			Variance with
	Original	Final	Actual	Final Budget
<b>REVENUES</b>				
Local sources	\$ 1,453,400	\$ 1,682,300	\$ 1,622,515	\$ (59,785)
State sources	3,320,700	3,216,000	3,262,376	46,376
Federal sources	230,600	217,936	213,777	(4,159)
Total revenues	5,004,700	5,116,236	5,098,668	(17,568)
<b>EXPENDITURES</b>				
Instruction	3,408,979	3,462,124	3,430,281	31,843
Supporting services	1,653,308	1,671,327	1,638,371	32,956
Community services	-	17,022	16,299	723
Interdistrict transfers	1,000	1,000	804	196
Total expenditures	5,063,287	5,151,473	5,085,755	65,718
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(58,587)	(35,237)	12,913	48,150
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	5,000	5,000	5,000	-
Transfers to other funds	(113,100)	(113,100)	(108,630)	4,470
	(108,100)	(108,100)	(103,630)	4,470
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	(166,687)	(143,337)	(90,717)	52,620
<b>FUND BALANCES, beginning of the year</b>	1,093,984	1,093,984	1,093,984	(47,146)
<b>FUND BALANCES, end of the year</b>	\$ 927,297	\$ 950,647	\$ 1,003,267	\$ 5,474

Rogers City Area Schools

**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE (SCHOOL SERVICE) FUND**

Year ended June 30, 2005

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Local sources	\$ 131,150	\$ 131,150	\$ 131,430	\$ 280
State sources	9,000	9,000	9,721	721
Federal sources	81,000	81,000	91,599	10,599
Total revenues	221,150	221,150	232,750	11,600
<b>EXPENDITURES</b>				
Food service	166,650	166,650	185,507	(18,857)
Athletics	159,000	159,000	159,002	(2)
Total expenditures	325,650	325,650	344,509	(18,859)
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(104,500)	(104,500)	(111,759)	(7,259)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	110,000	110,000	108,630	(1,370)
Transfers to other funds	(5,000)	(5,000)	(5,000)	-
	105,000	105,000	103,630	(1,370)
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	500	500	(8,129)	(8,629)
<b>FUND BALANCES, beginning of the year</b>	17,132	17,132	17,132	(10,942)
<b>FUND BALANCES, end of the year</b>	\$ 17,632	\$ 17,632	\$ 9,003	\$ (19,571)

Rogers City Area Schools

**REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - SINKING FUND**

Year ended June 30, 2005

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Local sources	\$ 267,500	\$ 267,500	\$ 277,131	\$ 9,631
Total revenues	267,500	267,500	277,131	9,631
<b>EXPENDITURES</b>				
Capital outlay				
Building improvements	240,000	240,000	41,208	198,792
Grounds improvements	20,000	20,000	26,420	(6,420)
Equipment replacement	-	-	1,579	(1,579)
Total expenditures	260,000	260,000	69,207	190,793
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	7,500	7,500	207,924	200,424
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	7,500	7,500	207,924	200,424
<b>FUND BALANCES, beginning of the year</b>	212,769	212,769	212,769	-
<b>FUND BALANCES, end of the year</b>	\$ 220,269	\$ 220,269	\$ 420,693	\$ 200,424

## **INDIVIDUAL FUND STATEMENTS**

Rogers City Area Schools

**GENERAL FUND  
BALANCE SHEET**

	June 30	
	2005	2004
<b>ASSETS</b>		
Cash and cash equivalents	\$ 706,670	\$ 760,830
Due from other governmental units	637,287	606,379
Inventory	-	13,274
Other current assets	14,495	86,478
Total assets	<u>\$ 1,358,452</u>	<u>\$ 1,466,961</u>
<b>LIABILITIES AND EQUITIES</b>		
Accounts payable	\$ 97,272	\$ 131,460
Due to other funds	1,015	-
Salaries payable	187,297	196,142
Payroll deductions and withholdings	804	6,363
Due to other governmental units	68,017	37,096
Deferred revenue	780	1,916
Total liabilities	<u>355,185</u>	<u>372,977</u>
Fund Balances		
Unreserved		
Designated	37,545	37,545
Undesignated	965,722	1,056,439
Total fund balances	<u>1,003,267</u>	<u>1,093,984</u>
Total liabilities and fund equities	<u>\$ 1,358,452</u>	<u>\$ 1,466,961</u>



Rogers City Area Schools

**GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year Ended June 30,		
	2005 Final Budget	2005 Actual	2004 Actual
<b>REVENUES</b>			
<b>LOCAL SOURCES</b>			
Property tax levy	\$ 1,479,800	\$ 1,440,153	\$ 1,244,447
Penalties and interest on taxes	1,000	1,570	1,210
Transportation fees	4,000	3,709	4,761
Earnings on investments and deposits	10,000	11,290	5,475
Revenue for community service activities	15,000	18,455	9,135
Facility rental fees	9,000	6,571	7,529
Private sources (contributions)	2,650	2,650	5,076
Sale of school property	2,850	2,851	3,421
Miscellaneous local revenues	50,000	40,800	9,848
COP-ESD - Special education tax	108,000	90,915	108,270
COP-ESD - Service coordination	-	3,551	13,455
Total local sources	1,682,300	1,622,515	1,412,627
<b>STATE SOURCES</b>			
Unrestricted - State Revenues			
Foundation grant	2,984,700	3,022,504	3,134,517
Renaissance zone	-	529	-
Restricted - State Revenues			
Special education foundation	117,300	118,389	118,103
Special education	20,000	24,445	18,935
At-risk funds	80,000	79,416	86,284
Durant settlement	5,000	4,940	4,940
FIA SF/SC funds	9,000	9,000	9,000
Drivers education	-	3,153	5,625
Total state sources	3,216,000	3,262,376	3,377,404
<b>FEDERAL SOURCES</b>			
Title I	153,719	153,719	154,950
Title V	4,210	3,430	5,681
Technology literacy challenge	3,453	3,112	3,702
Improving teacher quality	47,554	47,554	63,987
COP-ESD - Special education	-	2,167	2,824
COP-ESD - Drug-free schools	1,000	994	1,381
COP-ESD - Medicaid outreach claims	8,000	2,801	941
Total federal sources	217,936	213,777	233,466
Total revenues	5,116,236	5,098,668	5,023,497

Rogers City Area Schools

**GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year Ended June 30,		
	2005 Final Budget	2005 Actual	2004 Actual
<b>EXPENDITURES</b>			
<b>INSTRUCTION</b>			
<b>BASIC PROGRAMS</b>			
Elementary ( K -4)			
Salaries	\$ 639,700	\$ 642,365	\$ 652,486
Employee benefits	298,843	298,799	274,257
Purchased services	2,750	1,308	4,998
Supplies and materials	48,800	42,633	24,303
Capital outlay	-	-	1,132
	<u>990,093</u>	<u>985,105</u>	<u>957,176</u>
Middle School (5-6)			
Salaries	264,450	256,995	252,142
Employee benefits	126,956	123,540	122,855
Purchased services	800	716	743
Supplies and materials	9,000	5,948	9,217
	<u>401,206</u>	<u>387,199</u>	<u>384,957</u>
High School (7-12)			
Salaries	926,798	922,473	951,114
Employee benefits	454,257	457,043	443,575
Purchased services	31,000	31,091	20,494
Supplies and materials	57,642	50,885	32,637
Capital outlay	6,000	5,361	150
	<u>1,475,697</u>	<u>1,466,853</u>	<u>1,447,970</u>
Total basic programs	<u>2,866,996</u>	<u>2,839,157</u>	<u>2,790,103</u>
<b>ADDED NEEDS</b>			
Special Education			
Salaries	283,200	294,178	281,514
Employee benefits	182,823	177,143	165,317
Purchased services	2,000	1,117	345
Supplies and materials	7,000	2,552	6,543
	<u>475,023</u>	<u>474,990</u>	<u>453,719</u>
Compensatory Education			
Salaries	83,115	82,837	89,206
Employee benefits	32,340	30,189	29,566
Purchased services	600	447	1,585
Supplies and materials	3,050	2,661	10,755
	<u>119,105</u>	<u>116,134</u>	<u>131,112</u>

Rogers City Area Schools

**GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year Ended June 30,		
	2005 Final Budget	2005 Actual	2004 Actual
<b>EXPENDITURES (Continued)</b>			
Career and Technical Education			
Salaries	\$ -	\$ -	\$ 4,000
Employee benefits	-	-	662
Purchased services	1,000	-	600
	<u>1,000</u>	<u>-</u>	<u>5,262</u>
Total added needs	<u>595,128</u>	<u>591,124</u>	<u>590,093</u>
Total instruction	<u>3,462,124</u>	<u>3,430,281</u>	<u>3,393,597</u>
<b>SUPPORTING SERVICES</b>			
<b>SUPPORT SERVICES - PUPIL</b>			
Guidance Services			
Salaries	75,400	76,320	72,911
Employee benefits	32,837	32,091	32,195
Purchased services	2,100	1,572	1,560
Supplies and materials	1,500	1,650	1,004
	<u>111,837</u>	<u>111,633</u>	<u>107,670</u>
Health Services			
Purchased services	15,000	15,090	12,292
Supplies and materials	2,000	1,720	1,601
	<u>17,000</u>	<u>16,810</u>	<u>13,893</u>
Other Pupil Support Services			
Salaries	22,350	17,229	19,814
Employee benefits	5,073	3,816	4,034
Purchased services	31,500	29,001	30,614
	<u>58,923</u>	<u>50,046</u>	<u>54,462</u>
Total support services - pupil	<u>187,760</u>	<u>178,489</u>	<u>176,025</u>
<b>INSTRUCTIONAL STAFF</b>			
Improvement of Instruction			
Purchased services	600	570	-
	<u>600</u>	<u>570</u>	<u>-</u>
Educational Media Services			
Salaries	60,300	59,921	69,514
Employee benefits	27,652	27,182	25,093
Purchased services	300	-	-
Supplies and materials	1,800	1,484	4,915
	<u>90,052</u>	<u>88,587</u>	<u>99,522</u>

Rogers City Area Schools

**GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year Ended June 30,		
	2005 Final Budget	2005 Actual	2004 Actual
<b>EXPENDITURES (Continued)</b>			
Technology Assisted Instruction			
Salaries	\$ 47,000	\$ 48,450	\$ 47,000
Employee benefits	24,859	23,631	23,104
Purchased services	406	1,844	4,531
Supplies and materials	14,194	11,265	12,188
Capital outlay	10,000	9,779	10,241
	<u>96,459</u>	<u>94,969</u>	<u>97,064</u>
Total instructional staff	<u>187,111</u>	<u>184,126</u>	<u>196,586</u>
<b>GENERAL ADMINISTRATION</b>			
Board of Education			
Purchased services	48,800	48,327	48,299
Supplies and materials	4,500	4,885	1,607
Other	2,000	1,920	1,756
	<u>55,300</u>	<u>55,132</u>	<u>51,662</u>
Executive Administration			
Salaries	119,200	119,557	114,770
Employee benefits	44,343	44,206	39,814
Purchased services	1,000	680	824
Supplies and materials	200	22	36
Other	1,500	1,703	1,059
	<u>166,243</u>	<u>166,168</u>	<u>156,503</u>
Total general administration	<u>221,543</u>	<u>221,300</u>	<u>208,165</u>
<b>SCHOOL ADMINISTRATION</b>			
Office of the Principal			
Salaries	180,900	181,760	184,156
Employee benefits	76,629	75,890	68,703
Purchased services	2,200	1,816	3,825
Supplies and materials	3,100	2,148	1,286
Capital outlay	3,000	3,338	1,272
Other	1,800	2,528	2,781
	<u>267,629</u>	<u>267,480</u>	<u>262,023</u>
Total school administration	<u>267,629</u>	<u>267,480</u>	<u>262,023</u>

Rogers City Area Schools

**GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year Ended June 30,		
	2005 Final Budget	2005 Actual	2004 Actual
<b>EXPENDITURES (Continued)</b>			
<b>SUPPORT SERVICES - BUSINESS</b>			
Fiscal Services			
Salaries	\$ 36,200	\$ 37,019	\$ 78,481
Employee benefits	22,127	22,754	39,301
Purchased services	54,800	54,807	14,329
Supplies and materials	4,500	3,201	6,830
Other	500	153	-
	<u>118,127</u>	<u>117,934</u>	<u>138,941</u>
Other Business Services			
Purchased services	<u>3,500</u>	<u>3,060</u>	<u>3,007</u>
	<u>3,500</u>	<u>3,060</u>	<u>3,007</u>
Total support services - business	<u>121,627</u>	<u>120,994</u>	<u>141,948</u>
<b>OPERATIONS AND MAINTENANCE</b>			
Operating Buildings Services			
Salaries	126,000	127,415	160,878
Employee benefits	110,409	102,596	109,174
Purchased services	78,400	78,431	162,912
Supplies and materials	140,000	132,056	50,623
Capital outlay	<u>4,650</u>	<u>4,035</u>	<u>1,538</u>
Total operations and maintenance	<u>459,459</u>	<u>444,533</u>	<u>485,125</u>
<b>PUPIL TRANSPORTATION SERVICES</b>			
Pupil Transportation Services			
Salaries	102,900	102,168	114,749
Employee benefits	86,548	82,743	80,099
Purchased services	13,500	11,040	12,655
Supplies and materials	<u>23,000</u>	<u>25,248</u>	<u>15,981</u>
Total pupil transportation services	<u>225,948</u>	<u>221,199</u>	<u>223,484</u>
<b>SUPPORT SERVICES - CENTRAL</b>			
Staff/Personnel Services			
Purchased services	<u>250</u>	<u>250</u>	<u>-</u>
Total support services - central	<u>250</u>	<u>250</u>	<u>-</u>
Total Supporting Services	<u>1,671,327</u>	<u>1,638,371</u>	<u>1,693,356</u>

Rogers City Area Schools

**GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year Ended June 30,		
	2005 Final Budget	2005 Actual	2004 Actual
<b>EXPENDITURES (Continued)</b>			
<b>COMMUNITY SERVICES</b>			
<b>NON - PUBLIC SCHOOL PUPILS</b>			
Non-Public School Pupils			
Salaries	\$ 9,900	\$ 10,176	\$ -
Employee benefits	4,160	4,760	-
Purchased services	1,727	1,184	-
Supplies and materials	1,235	179	-
Total Community Services	17,022	16,299	-
<b>PAYMENTS TO OTHER PUBLIC SCHOOLS</b>			
Payments to Other Public Schools			
Other transits	1,000	804	828
Total payments to other public schools	1,000	804	828
Total Expenditures	5,151,473	5,085,755	5,087,781
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds	5,000	5,000	5,000
Transfers to other funds	(113,100)	(108,630)	(100,854)
	(108,100)	(103,630)	(95,854)
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	(143,337)	(90,717)	(160,138)
<b>FUND BALANCES, beginning of the year</b>	1,093,984	1,093,984	1,254,122
<b>FUND BALANCES, end of the year</b>	\$ 950,647	\$ 1,003,267	\$ 1,093,984

Rogers City Area Schools

**SCHOOL SERVICE FUND  
BALANCE SHEET**

	June 30	
	2005	2004
<b>ASSETS</b>		
Cash and cash equivalents	\$ 12,806	\$ 27,160
Due from other governmental units	1,328	1,209
Due from other funds	1,015	-
Total assets	<u>\$ 15,149</u>	<u>\$ 28,369</u>
<b>LIABILITIES AND EQUITIES</b>		
Accounts payable	\$ 1,199	\$ 6,726
Salaries payable	4,947	4,511
Total liabilities	<u>6,146</u>	<u>11,237</u>
Fund balances		
Unreserved		
Undesignated	<u>9,003</u>	<u>17,132</u>
Total fund balances	<u>9,003</u>	<u>17,132</u>
Total liabilities and fund equities	<u>\$ 15,149</u>	<u>\$ 28,369</u>

Rogers City Area Schools

**SCHOOL SERVICE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND FUND BALANCES**

	Year Ended June 30,		
	2005 Final Budget	2005 Actual	2004 Actual
<b>REVENUES</b>			
Local sources			
Food services	\$ 74,650	\$ 80,247	\$ 68,886
Athletics	56,500	51,183	57,937
	<u>131,150</u>	<u>131,430</u>	<u>126,823</u>
State sources			
Food services - State aid	9,000	9,410	5,474
Food services - State grants	-	311	2,910
	<u>9,000</u>	<u>9,721</u>	<u>8,384</u>
Federal sources			
Food services - NSLP	68,000	74,394	68,418
Food services - Donated commodities	13,000	17,205	14,542
	<u>81,000</u>	<u>91,599</u>	<u>82,960</u>
Total revenues	<u>221,150</u>	<u>232,750</u>	<u>218,167</u>
<b>EXPENDITURES</b>			
Food services			
Salaries	48,500	47,858	54,486
Employee benefits	35,500	34,089	32,464
Food and supplies	82,650	103,560	80,423
	<u>166,650</u>	<u>185,507</u>	<u>167,373</u>
Athletics			
Salaries	89,500	88,078	82,923
Employee benefits	19,800	19,137	16,725
Other	49,700	51,787	45,982
	<u>159,000</u>	<u>159,002</u>	<u>145,630</u>
Total expenditures	<u>325,650</u>	<u>344,509</u>	<u>313,003</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds	110,000	108,630	100,854
Transfers to other funds	(5,000)	(5,000)	(5,000)
Total other financing sources (uses)	<u>105,000</u>	<u>103,630</u>	<u>95,854</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	500	(8,129)	1,018
<b>FUND BALANCES, beginning of the year</b>	<u>17,132</u>	<u>17,132</u>	<u>16,114</u>
<b>FUND BALANCES, end of the year</b>	<u>\$ 17,632</u>	<u>\$ 9,003</u>	<u>\$ 17,132</u>



Rogers City Area Schools

**SINKING FUND  
BALANCE SHEET**

	June 30	
	2005	2004
<b>ASSETS</b>		
Cash and cash equivalents	\$ 424,193	\$ 373,128
Total assets	<u>\$ 424,193</u>	<u>\$ 373,128</u>
<b>LIABILITIES AND EQUITIES</b>		
Accounts payable	\$ 3,500	\$ 160,359
Total liabilities	<u>3,500</u>	<u>160,359</u>
Fund balances		
Unreserved		
Undesignated	<u>420,693</u>	<u>212,769</u>
Total fund balances	<u>420,693</u>	<u>212,769</u>
Total liabilities and fund equities	<u>\$ 424,193</u>	<u>\$ 373,128</u>

Rogers City Area Schools

**SINKING FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND FUND BALANCES**

	Year Ended June 30,		
	2005 Final Budget	2005 Actual	2004 Actual
<b>REVENUES</b>			
<b>Local Sources</b>			
Property tax levy	\$ 266,000	\$ 273,166	\$ 244,298
Interest on investments	1,000	3,615	1,330
Other	500	350	97
Total revenues	267,500	277,131	245,725
<b>EXPENDITURES</b>			
Capital outlay			
Building improvements	240,000	41,208	196,388
Grounds improvements	20,000	26,420	22,343
Equipment replacement	-	1,579	43,753
Total expenditures	260,000	69,207	262,484
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from long-term debt	-	-	-
Transfers from other funds	-	-	-
Transfers to other funds	-	-	-
Total other financing sources (uses)	-	-	-
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	7,500	207,924	(16,759)
<b>FUND BALANCES, beginning of the year</b>	212,769	212,769	229,528
<b>FUND BALANCES, end of the year</b>	\$ 220,269	\$ 420,693	\$ 212,769

Rogers City Area Schools

**AGENCY FUND - STUDENT ACTIVITIES  
BALANCE SHEET**

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	June 30	
	2005	2004
<b>ASSETS</b>		
Cash and cash equivalents	\$ 47,428	\$ 45,824
Total assets	<u>\$ 47,428</u>	<u>\$ 45,824</u>
<b>LIABILITIES AND EQUITIES</b>		
Due to student groups	\$ 47,428	\$ 45,824
Total liabilities	<u>47,428</u>	<u>45,824</u>
Fund balances		
Unreserved		
Undesignated	<u>-</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>-</u>
Total liabilities and fund equities	<u>\$ 47,428</u>	<u>\$ 45,824</u>

Rogers City Area Schools

**AGENCY FUND - STUDENT ACTIVITIES  
STATEMENT OF RECEIPTS AND DISBURSEMENTS**

Year Ended June 30, 2005

	June 30, 2004	Revenues & Transfers	Expenses & Transfers	June 30, 2005
Allan Dagner Scholarship Fund	\$ 360	\$ 250	\$ 500	\$ 110
Athletics	34	1,325	1,359	-
Band	114	2,551	2,482	183
Basketball	12	3,211	3,040	183
Bowling	60	600	660	-
Cheerleaders	850	736	961	625
Class of '04	557	-	557	-
Class of '05	3,696	1	2,771	926
Class of '06	3,587	7,846	8,747	2,686
Class of '07	140	1,406	419	1,127
Class of '08	-	300	106	194
Close Up Washington	434	21,910	21,388	956
Counseling	10	691	691	10
Cross Country	303	1,170	1,193	280
Cross Country 5K	564	-	550	14
Dance & Drill Team	162	-	-	162
Drama Club	4,757	7,723	10,278	2,202
Elementary Special Education	2	-	-	2
Elementary 5th Grade	420	8,671	9,042	49
Elementary Memorial Fund	20	-	-	20
Elementary Office	481	1,129	899	711
Football	476	3,933	3,635	774
Girls Basketball	800	5,242	5,846	196
Girls Softball	69	8,229	6,286	2,012
Golf	912	-	-	912
Greene Scholarship	33	-	-	33
Haan Crafts	20	406	406	20
Hopp Memorial Fund	-	1,000	1,000	-
Huron Wrestling Club	251	1,358	1,574	35
Industrial Tech.	5	-	-	5
Interest Income	303	176	258	221
Jazz Band	135	-	-	135
Jr. High Athletics Fund	3,305	5,880	6,371	2,814
Jr. High Special Ed.	235	-	25	210
Jr. High Student Council	3,825	13,028	12,422	4,431
Jr. High Vocal Music	3	2,919	2,922	-
Key Club	641	3,634	3,836	439
Library	429	154	44	539
National Honor Society	95	2,755	1,850	1,000
Natural Helpers	3,608	5,831	6,920	2,519
New York Trip	-	14,927	9,635	5,292
Office	1,424	2,418	2,496	1,346
Petty Cash	100	75	75	100
Pop Fund	1,030	4,169	4,043	1,156
RCHS Baseball	2,832	6,125	4,892	4,065
RCHS Special Education	549	-	308	241

Rogers City Area Schools

**AGENCY FUND - STUDENT ACTIVITIES  
STATEMENT OF RECEIPTS AND DISBURSEMENTS**

Year Ended June 30, 2005

	June 30, 2004	Revenues & Transfers	Expenses & Transfers	June 30, 2005
Salmon in the Classroom	\$ -	\$ 1,200	\$ 923	\$ 277
Ski Club	511	2,499	2,821	189
Softball Raffle	-	13,265	13,265	-
Spanish Club	894	-	-	894
Special Olympics	529	-	-	529
Student Council	663	557	913	307
Track	539	3,567	2,972	1,134
Voices in Harmony	788	6,260	7,047	1
Volleyball	1,221	7,759	6,982	1,998
Weight Room	518	600	552	566
Wrestling	614	17,664	17,328	950
Yearbook	1,904	18,866	19,122	1,648
Totals	<u>\$ 45,824</u>	<u>\$ 214,016</u>	<u>\$ 212,412</u>	<u>\$ 47,428</u>

Rogers City Area Schools

**SCHEDULE OF INDEBTEDNESS**

June 30, 2005

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	<u>Interest</u>	<u>FY of Maturity</u>	<u>Principal Payable</u>	<u>Annual Interest Payable</u>
1998 School Improvement Bonds	4.76%	2006	\$ 2,391	\$ 1,078
Date of issue: November 24, 1998	4.76%	2007	2,505	964
Amount of issue: \$49,400	4.76%	2008	2,624	845
	4.76%	2009	2,749	720
	4.76%	2010	2,880	589
	4.76%	2011	3,017	452
	4.76%	2012	3,161	308
	4.76%	2013	12,233	4,137
			<u>31,560</u>	<u>9,093</u>

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RETIRE  
GORDON A. NETHERCUT, C.P.A.  
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To the Board of Education  
Rogers City Area Schools  
Rogers City, Michigan

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.** We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Rogers City Area Schools**, as of and for the year ended June 30, 2005, which collectively comprise the **Rogers City Area Schools'** basic financial statements and have issued our report thereon dated July 22, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the **Rogers City Area Schools'** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the **Rogers City Area Schools'** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

***Straley, Ilsley & Lamp P.C.***

July 22, 2005